

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2006

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
Cedar Mountain Fire Protection District
Duck Creek Village, Utah 84762


We have audited the accompanying financial statements of the governmental activities of Cedar Mountain Fire Protection District, a component unit of Kane County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cedar Mountain Fire Protection District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the government activities of Cedar Mountain Fire Protection District as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2007, on our consideration of Cedar Mountain Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 27 through 28, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 26, 2007
Richfield, Utah

Cedar Mountain Fire Protection District Management's Discussion and Analysis

The discussion and analysis of Cedar Mountain Fire Protection District's ("District") financial performance provides an overview of the District's financial activities for the year ending December 31, 2006. This report is in conjunction with the District's financial statements, which are part of this report.

The District is authorized to provide fire protection and suppression within the District and any other lawful activity allowed by their resolution, including Emergency Medical Services (EMS). The District's Administrative Control Board consists of nine (9) members, each of whom is appointed by the Kane County Commission to serve a two year term.

Financial Highlights:

- The District owns a fire station, fire fighting and emergency medical services vehicles and equipment to enable them to respond to fires and emergency medical services within the boundaries. The District is funded by fees assessed on properties within the District. Kane County assesses and collects these fees with property taxes on these properties and distributes these fees to the District. In 2005 the District amended its charter to include snow removal. An annual fee is now charged for snow removal to those that have approved roads and fire hydrants.
- The assets of the District exceeded its liabilities at the close of the most recent year by \$1,329,382 (*net assets*). Of this amount, \$735,252 (*unrestricted net assets*) may be used to meet the District's ongoing obligations, fire protection, snow removal and emergency medical services needed for the citizens of the District.
- As of the close of the current calendar year, the District's governmental funds reported combined ending fund balances of \$1,023,989, an increase of \$43,544. Of this fund balance \$735,252 is available for spending at the District's discretion (*unreserved fund balance*).
- At the end of the current calendar year, unreserved fund balance for the general fund was \$735,252, or 122% of total general fund expenditures.
- During 2006, the District acquired a new snow blower, at a value of \$50,000. Also, new vehicles were purchased for fire protection, at a value of \$35,109 and \$16,581.
- The District's total debt increased by \$3,133 during the current calendar year.

Using This Annual Report:

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Cedar Mountain Fire Protection District Management's Discussion and Analysis (Continued)

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets, liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent calendar year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both the government-wide financial statements distinguish functions of the District that are principally supported by assessed fees assessed as taxes and other funds from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District are fire protection, emergency medical services (EMS) and snow removal.

The government-wide financial statements can be found on pages listed in the table of contents.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds; the general fund and capital projects fund.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the calendar year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual budget for its general and capital project funds. A budgetary comparison statement for the general fund has been provided for the general fund to show legal compliance with this budget.

Cedar Mountain Fire Protection District Management's Discussion and Analysis (Continued)

The basic financial statements can be found as listed in the table of contents.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Reporting the District as a Whole:

The District realizes revenues from several sources; 1) Annual assessment on property owners in the District, 2) user fees , 3) investment earnings and 4) other sundry revenues.

Contacting the District:

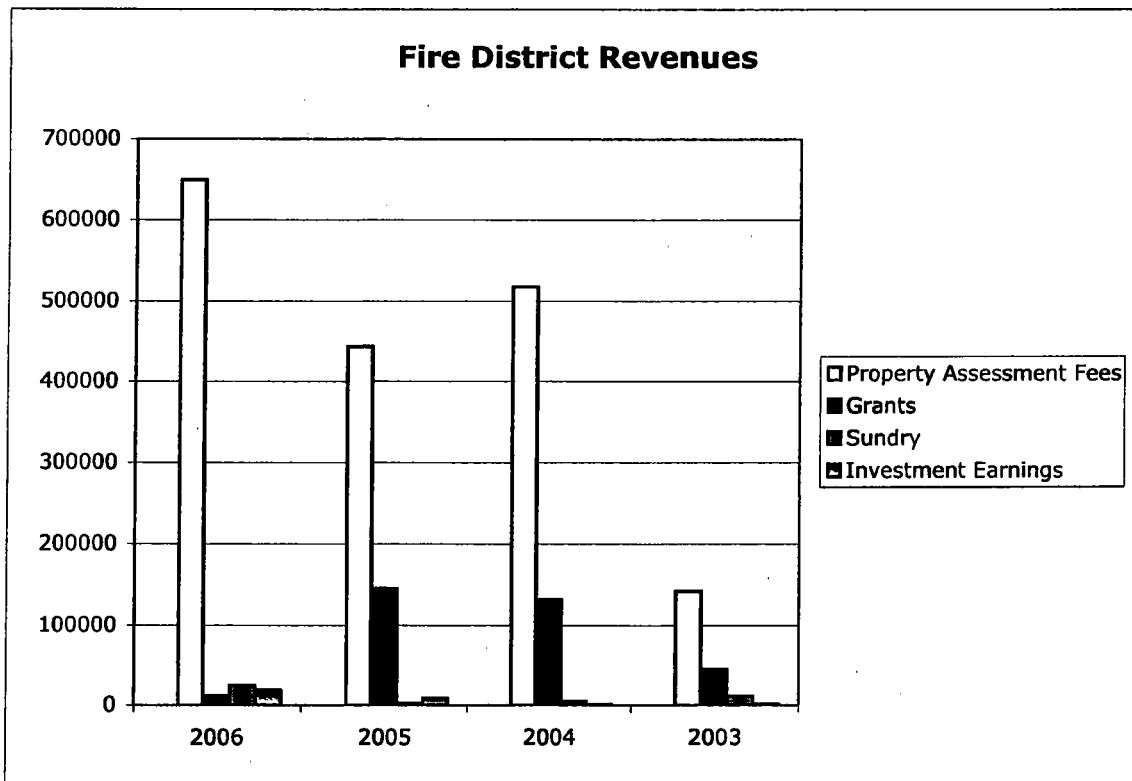
This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Treasurer, Dee Ashley, P.O. Box 1084, Duck Creek Village, UT 84762.

Condensed Financial Statements:

	<u>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>
Assets:			Revenues:		
Current	1,113,729	980,445	Charges for Services	25,032	2,468
Non-Current	735,179	653,233	Grants	11,800	145,253
			General Revenues	668,994	452,079
Total Assets	<u>1,848,908</u>	<u>1,633,678</u>	Total Revenues	<u>705,826</u>	<u>599,800</u>
Liabilities:			Expenditures:		
Current	148,669	47,667	Current	583,468	389,853
Long-Term	370,857	378,987	Total Expenditures	583,468	389,853
Total Liabilities	<u>519,526</u>	<u>426,654</u>	Change in Net Assets	122,358	342,442
Net Assets:			Beginning Net Assets	<u>1,207,024</u>	864,582
Investment of Cap. Assets	305,393	226,579	Ending Net Assets	<u>1,329,382</u>	<u>1,207,024</u>
Restricted	288,737	308,680			
Unrestricted	<u>735,252</u>	<u>671,765</u>			
Net Assets	<u>1,329,382</u>	<u>1,207,024</u>			

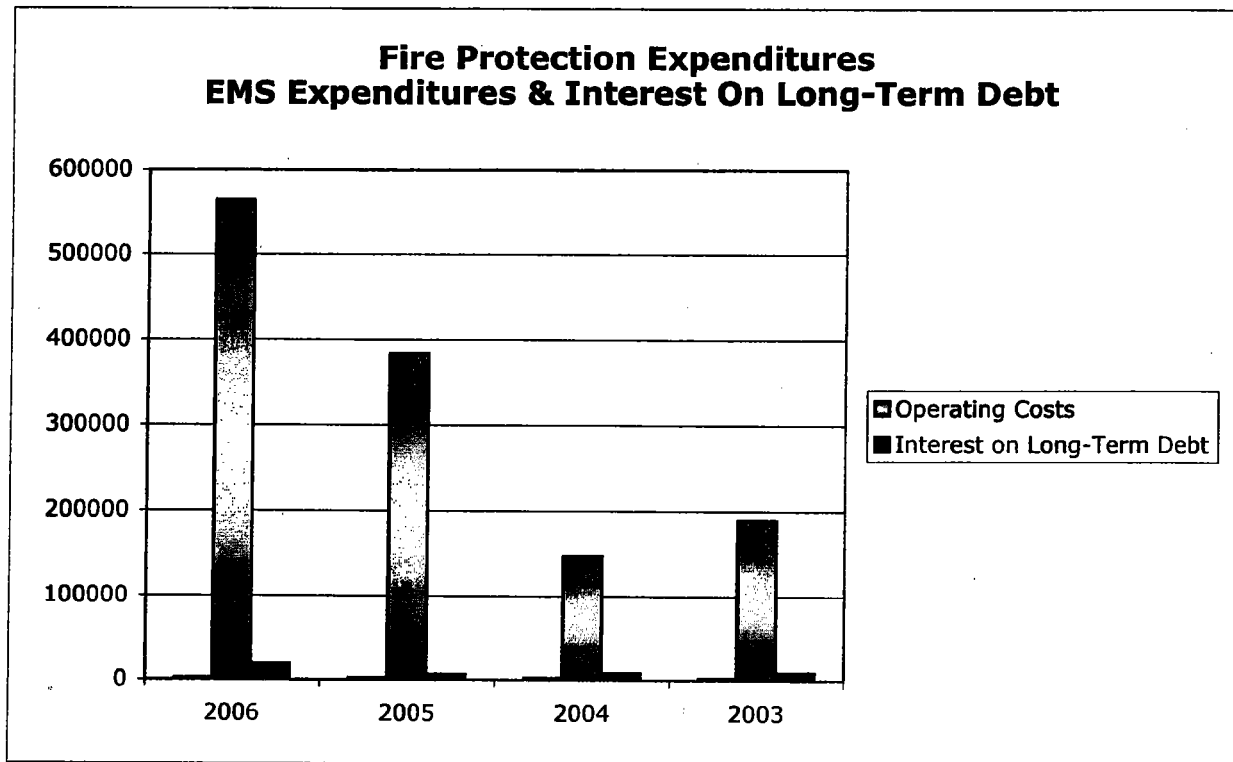
**Cedar Mountain Fire Protection District
Revenue - Four Year Comparison**

	2006	2005	2004	2003
Property Assessment Fees	649,594	443,037	517,655	141,913
Grants	11,800	145,253	131,620	44,940
Sundry	25,032	2,468	4,961	11,079
Investment Earnings	19,400	9,042	1,032	1,341
Total	705,826	599,800	655,268	199,273



**Cedar Mountain Fire Protection District
Expenditures - Four Year Comparison**

	2006	2005	2004	2003
Operating Costs	564,345	382,991	148,455	190,003
Interest on Long-Term Debt	19,123	6,862	7,947	8,960
Total	583,468	389,853	156,402	198,963



BASIC FINANCIAL STATEMENTS

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS**

December 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Investments	1,101,529
Restricted Assets:	
Temporarily Restricted:	
Revenue Bond Covenant Account	12,200
Capital Assets (Net of Accumulated Depreciation)	<u>735,179</u>
 TOTAL ASSETS	 <u>1,848,908</u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable	89,740
Capital Leases - Due Within One Year	33,395
Revenue Bonds Payable - Due Within One Year	<u>25,534</u>
 Total Current Liabilities	 <u>148,669</u>
Noncurrent Liabilities:	
Capital Leases - More Than One Year	280,335
Revenue Bonds Payable - More Than One Year	<u>90,522</u>
 Total Noncurrent Liabilities	 <u>370,857</u>
 TOTAL LIABILITIES	 <u>519,526</u>
 NET ASSETS	
Investment in Capital Assets, Net of Related Debt	305,393
Restricted For:	
Debt Service	12,200
Construction	276,537
Unrestricted	<u>735,252</u>
 TOTAL NET ASSETS	 <u>1,329,382</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>1,848,908</u>

The notes to the financial statements are an integral part of this statement.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2006

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Contributions Grants</u>	<u>Governmental Activities</u>
Functions/Programs:				
Governmental Activities:				
Fire and EMS Operating Expense	564,345	25,032	11,800	(527,513)
Interest on Long-Term Debt	<u>19,123</u>	<u>-</u>	<u>-</u>	<u>(19,123)</u>
TOTAL REVENUES	<u>583,468</u>	<u>25,032</u>	<u>11,800</u>	<u>(546,636)</u>
General Revenues:				
Property Assessment Fees				649,594
Unrestricted Investment Earnings				<u>19,400</u>
Total General Revenues				<u>668,994</u>
Changes in Net Assets				122,358
Net Assets - Beginning				<u>1,207,024</u>
Net Assets - Ending				<u><u>1,329,382</u></u>

The notes to the financial statements are an integral part of this statement.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash	824,992	276,537	1,101,529
Reserved Cash:			
Bond Reserves	<u>12,200</u>	<u>-</u>	<u>12,200</u>
TOTAL ASSETS	<u><u>837,192</u></u>	<u><u>276,537</u></u>	<u><u>1,113,729</u></u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts Payable	<u>89,740</u>	<u>-</u>	<u>89,740</u>
Fund Equity:			
Fund Balances:			
Reserved for:			
Bond Retirement	12,200	-	12,200
Construction		276,537	276,537
Unreserved	<u>735,252</u>	<u>-</u>	<u>735,252</u>
Total Fund Equity	<u><u>747,452</u></u>	<u><u>276,537</u></u>	<u><u>1,023,989</u></u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>837,192</u></u>	<u><u>276,537</u></u>	<u><u>1,113,729</u></u>

The notes to the financial statements are an integral part of this statement.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

December 31, 2006

Total Fund Balances - Governmental Fund Types	1,023,989
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	115,697
Water Rights	6,430
Fire House	333,580
Fire Vehicles	87,385
Fire Equipment	191,697
Construction In Progress	<u>390</u>

Total - Net of Depreciation	735,179
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Capital Leases Payable	(313,730)
Bonds Payable	<u>(116,056)</u>

Total	<u>(429,786)</u>
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Net Assets of Government Activities	<u><u>1,329,382</u></u>
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**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Totals</u>
REVENUE			
Property Assessment Fees	442,724	-	442,724
Emergency Road Access Fees	206,870	-	206,870
Other Revenue	7,212	17,820	25,032
Grants	11,800	-	11,800
Interest Revenue	8,558	10,842	19,400
	<u>677,164</u>	<u>28,662</u>	<u>705,826</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
Personnel	160,422	-	160,422
Fire Training and Expense	11,836	-	11,836
Administration	11,727	-	11,727
Building Maintenance	5,067	-	5,067
Communications	14,440	-	14,440
Emergency Road Access	178,040	-	178,040
EMS	1,786	-	1,786
Extrication Expenses	10,384	-	10,384
Fire Prevention	7,193	-	7,193
Fire suppression	43,880	-	43,880
Fuel	10,387	-	10,387
Insurance	15,979	-	15,979
Maintenance	23,012	5,990	29,002
Small Tools	5,445	-	5,445
Professional Services	14,729	-	14,729
Space Rental	5,700	-	5,700
Telephone	4,380	-	4,380
Utilities	4,172	-	4,172
Other	9,233	-	9,233
Debt Issue Costs	-	800	800
Capital Outlay	-	101,690	101,690
Debt Service:			
Principal	47,667	-	47,667
Interest	19,123	-	19,123
	<u>604,602</u>	<u>108,480</u>	<u>713,082</u>
TOTAL EXPENDITURES			
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>72,562</u>	<u>(79,818)</u>	<u>(7,256)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	33,500	42,575	76,075
Transfers Out	(42,575)	(33,500)	(76,075)
Loan Proceeds	-	50,800	50,800
	<u>(9,075)</u>	<u>59,875</u>	<u>50,800</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGES IN FUND BALANCES	63,487	(19,943)	43,544
FUND BALANCE - BEGINNING OF YEAR	<u>683,965</u>	<u>296,480</u>	<u>980,445</u>
FUND BALANCE - END OF YEAR	<u>747,452</u>	<u>276,537</u>	<u>1,023,989</u>

The notes to the financial statements are an integral part of this statement.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	43,544
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	101,690	
Depreciation	<u>(19,743)</u>	
Total		81,947

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal Payments on Long-Term Debt	47,667	
Loan Proceeds	<u>(50,800)</u>	
Total		<u>(3,133)</u>

Changes In Net Assets of Governmental Activities	<u><u>122,358</u></u>
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CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cedar Mountain Fire Protection District, a component unit of Kane County, was created by the adoption of a resolution to establish a special service district by the Kane County Commissioners. The District was authorized to perform fire protection within the District and any other lawful activity allowed by the resolution. The Special Service District's Administrative Control Board consists of seven (7) members, each of whom was appointed by the Board of Commissioners. All Board Commissioners appointed the initial one members to serve a two year term and the remaining members serve a two year term. The Board members, at their initial meeting, elected a chairperson and a secretary to serve such terms as the board shall determine.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District has two funds, the General Fund and the Capital Projects Fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State revenue sources and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government.

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	45 Years
Vehicles	10 - 20 Years
Machinery and Equipment	10 - 20 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - BUDGET PROCESS

Cedar Mountain Fire Protection District has properly adopted required budgets for 2006. Changes to the adopted budget were properly made by resolution and public hearing of the District. The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearing is published at least ten days prior to the meetings.
6. Public hearing are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits:

At year-end, the carrying amount of the District's deposits was \$1,113,729 and the bank balances were \$1,116,319. Of this amount \$100,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of December 31, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	<u>1,113,729</u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	1,101,529
Governmental Activities - Restricted	<u>12,200</u>
Total Cash and Investments	<u>1,113,729</u>

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

Deposits and investments for local government are governed by the UMMA (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council (the Council). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, \$1,013,729 of the local government's bank balances of \$1,113,729 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in interest bearing accounts and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer.

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - RESERVE FUND - SERIES 1999A BOND

The Series 1999A Lease Revenue Bond requires a reserve fund to be funded over a period of 72 months beginning July 1, 1999 until the sum of \$12,200 is accumulated. The reserve at December 31, 2006, is \$12,200

NOTE 5 - CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	115,697	-	-	115,697
Water Rights	6,430	-	-	6,430
Construction In Progress	390	-	-	390
 Total Capital Assets Not Being Depreciated	 <u>122,517</u>	 <u>-</u>	 <u>-</u>	 <u>122,517</u>
Capital Assets Being Depreciated:				
Fire Station	395,033	-	-	395,033
Fire Vehicles	51,692	51,690	-	103,382
Equipment	158,062	50,000	-	208,062
 Total Capital Assets Being Depreciated	 <u>604,787</u>	 <u>101,690</u>	 <u>-</u>	 <u>706,477</u>
Less Accumulated Depreciation For:				
Fire Station	52,674	8,779	-	61,453
Fire Vehicles	10,185	5,812	-	15,997
Equipment	11,212	5,153	-	16,365
 Total Accumulated Depreciation	 <u>74,071</u>	 <u>19,744</u>	 <u>-</u>	 <u>93,815</u>
 Governmental Activities Capital Assets (Net)	 <u>530,716</u>	 <u>81,946</u>	 <u>-</u>	 <u>612,662</u>
 Governmental Activities Capital Assets, Net	 <u>653,233</u>	 <u>81,946</u>	 <u>-</u>	 <u>735,179</u>

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - GENERAL LONG-TERM DEBT

There were two bonds issued June 7, 1999, by Cedar Mountain Fire Protection District:

- 1) \$140,000 Lease Revenue Bond, Series 1999A which was purchased by the Permanent Community Impact Fund Board. This bond is payable over a fifteen year period beginning January 1, 2001. Interest accruing from January 1, 2000, at the rate of 3.0% per annum.
- 2) \$140,000 Lease Revenue Bond, Series 1999B purchased by State Bank of Southern Utah. Payable over a period of ten years beginning December 31, 1999. Interest will accrue from June 7, 1999, at the rate of 6.0% per annum.

Amortization of these bonds follows:

Lease Revenue Bond, Series 1999A:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	9,000	2,460	11,460
2008	10,000	2,190	12,190
2009	10,000	1,890	11,890
2010	10,000	1,590	11,590
2011	10,000	1,290	11,290
2012-2016	<u>33,000</u>	<u>1,980</u>	<u>34,980</u>
Total	<u>82,000</u>	<u>11,400</u>	<u>93,400</u>

Lease Revenue Bond, Series 1999B:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	16,534	2,043	18,577
2008	<u>17,522</u>	<u>1,055</u>	<u>18,577</u>
Total	<u>34,056</u>	<u>3,098</u>	<u>37,154</u>

Real Property Lease Purchase Agreement:

On July 15, 2005, the District entered into a lease purchase agreement with Zions Bank. The purpose of the lease is to fund the construction of Fire Station Number 2. The lease agreement was \$286,000, payable over ten (10) years with an interest rate of 4.69%. Payments of \$36,482.78 are to begin July 15, 2006, and continue annually until July 15, 2015.

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - GENERAL LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	24,151	12,331	36,482
2008	25,284	11,199	36,483
2009	26,470	10,013	36,483
2010	27,711	8,771	36,482
2011	29,011	7,472	36,483
2012-2016	<u>130,303</u>	<u>15,628</u>	<u>145,931</u>
Total	<u>262,930</u>	<u>65,414</u>	<u>328,344</u>

Equipment Lease Purchase:

On December 19, 2006, the District entered into a lease purchase agreement with Zions Bank for the purchase a 1980 snowblower. The interest rate is 4.67%, term is five years. First payment is due on December 19, 2007 and then each year thereafter until December 19, 2011.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	9,244	2,372	11,616
2008	9,689	1,941	11,630
2009	10,143	1,488	11,631
2010	10,615	1,014	11,629
2011	<u>11,109</u>	<u>519</u>	<u>11,628</u>
Total	<u>50,800</u>	<u>7,334</u>	<u>58,134</u>

The following is a summary of total debt service payments to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	58,929	19,206	78,135
2008	62,495	16,385	78,880
2009	46,613	13,391	60,004
2010	48,326	11,375	59,701
2011	50,120	9,281	59,401
2012-2016	<u>163,303</u>	<u>17,608</u>	<u>180,911</u>
Total	<u>429,786</u>	<u>87,246</u>	<u>517,032</u>

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - GENERAL LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in General Long-Term debt as of December 31, 2006:

	Date of Issue	Interest Rate	Total Issued	Outstanding December 31, 2005	Current Year Changes		Outstanding December 31, 2006
					Additions	Retirements	
Revenue Bonds:							
Lease Revenue Bond, Series 1999A	1999	3%	140,000	91,000	-	9,000	82,000
Lease Revenue Bond, Series 1999B	1999	6%	140,000	49,654	-	15,598	34,056
Real Property Lease Purchase Agreement	2005	4.69%	286,000	286,000	-	23,069	262,931
Equipment Lease - Snowblower	2006	4.67%	50,800	-	50,800	-	50,800
Total Long-Term Debt			616,800	426,654	50,800	47,667	429,787

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries and natural disaster. The District has obtained commercial insurance coverage for these risks through the Glatfelter Insurance Group.

Claims have not exceeded coverage in any of the last three calendar years.

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is used to assist in formatting for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For The Year Ended December 31, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the District's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the District's Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations:

For the year ended December 31, 2006, spending for the total funds of the District was within the approved budget.

**CEDAR MOUNTAIN FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND**

For The Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental:				
Property Assessment Fees	443,037	443,037	442,724	(313)
Snow Removal Fees	142,677	132,495	206,870	74,375
Intergovernmental	-	11,800	11,800	-
Interest Income	5,000	16,734	8,558	(8,176)
Other Income	3,000	24,750	7,212	(17,538)
Total Revenues	<u>593,714</u>	<u>628,816</u>	<u>677,164</u>	<u>48,348</u>
Expenditures:				
General Government:				
Fire Protection	450,710	429,302	359,772	69,530
Snow Removal	112,495	132,495	178,040	(45,545)
Debt Service	67,019	67,019	66,790	229
Transfer To Capital Projects	-	-	9,075	(9,075)
Total Expenditures	<u>630,224</u>	<u>628,816</u>	<u>613,677</u>	<u>15,139</u>
Excess Revenues Over (Under) Expenditures	<u>(36,510)</u>	<u>-</u>	63,487	<u>63,487</u>
Fund Balance - Beginning			<u>683,965</u>	
Fund Balance - Ending			<u>747,452</u>	

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is used to assist in formatting for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board Members
Cedar Mountain Fire Protection District
Duck Creek Village, Utah 84762

We have audited the financial statements of the governmental activities of Cedar Mountain Fire Protection District, a component unit of Kane County, as and for the year ended December 31, 2006, which collectively comprise Cedar Mountain Fire Protection District's basic financial statements and have issued our report thereon dated June 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cedar Mountain Fire Protection District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cedar Mountain Fire Protection District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar Mountain Fire Protection District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects Cedar Mountain Fire Protection District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Cedar Mountain Fire Protection District's financial statements that is more than inconsequential will not be prevented or detected by Cedar Mountain Fire Protection District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Cedar Mountain Fire Protection District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

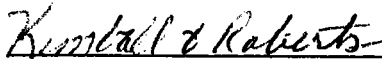
The Honorable Board Members
Cedar Mountain Fire Protection District
Page -2-

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar Mountain Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Cedar Mountain Fire Protection District in a separate letter dated June 26, 2007.

This report is intended solely for the information and use of the audit committee, management, and board members and is not intended to be and should not be used by anyone other than these specified parties.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 26, 2007
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members
Cedar Mountain Fire Protection District
Duck Creek Village, Utah 84762

We have audited the accompanying financial statements of the governmental activities of Cedar Mountain Fire Protection District, a component unit of Kane County, for the year ended December 31, 2006, and have issued our report thereon dated June 26, 2007. The District received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of the Districts financial statements:

Fire Grant (Department of Natural Resources)

Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Other Compliance Requirements


The District did not receive any major State grants during the year ended December 31, 2006.

The management of Cedar Mountain Fire Protection District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Cedar Mountain Fire Protection District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

June 26, 2007
Richfield, Utah

CEDAR MOUNTAIN FIRE PROTECTION DISTRICT

MANAGEMENT LETTER

DECEMBER 31, 2006

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

June 28, 2002

The Honorable Board Members
Cedar Mountain Fire Protection District
Duck Creek Village, Utah 84762

During our audit of the funds of Cedar Mountain Fire Protection District for the year ended December 31, 2006, we noted an area needing corrective action in order for the District to be in compliance with state laws and regulations. We also noted certain circumstances that, if improved, would strengthen the District's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Fund Balance Limitations

Districts are permitted to accumulate retained earnings or fund balances, as appropriate, in any fund. With respect to the General Fund only, any accumulated fund balance is restricted to the following:

1. 100% of the current year's property tax; or
2. 25% of the total General Fund revenues, if the annual General Fund budget is greater than \$100,000 or 50% of the total General Fund's revenues, if the annual general fund budget is equal to or less than \$100,000.

Finding:

The total revenues of the General Fund for 2006 were \$677,164. Twenty-five (25) percent of this would be \$183,813. The present unreserved fund balance is \$735,252. This is in excess of the amount allowed by State Law.

Recommendation:

We recommend that the District maintain the fund balance in the general fund with a balance that is within the amount allowed by State law.

Response:

The District is currently building a second fire station that will require the use of a sufficient amount of the fund balance in 2007. The District has already obtained a loan to begin the project. The bids are scheduled to be let in July 2007.

INTERNAL CONTROLS:

Cash Deposits

Finding:

We noted during our audit that deposits are made using a counter deposit form and not a deposit slip with a duplicate copy.

Recommendation:

We recommend that the District obtain deposit books with duplicate slips and retain copies of all deposits made.

Response:

We have ordered a deposit book and will start preparing deposits using those duplicate receipts.

Cash Management

Finding:

We noted during the audit that the District deposits all of its funds with one bank. The District has funds on deposit with this bank that exceeds the Federal Deposit Insurance of \$100,000 placing the additional funds at risk.

Recommendation:


We recommend that the District consider reducing its risk by depositing funds in other institutions that will increase FDIC on their deposits. Currently each bank will only insure up to \$100,000 of deposits for any one depositor.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Cedar Mountain Fire Protection District's personnel for the cooperation and assistance given us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants

RGR/vl